U.S. House of Representatives
Committee on Agriculture
Washington, DC 20515

February 18, 2005

The Honorable Jim Nussle, Chairman
House Committee on the Budget
309 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), we are including below the recommendations of the Committee on Agriculture with respect to agriculture programs within the Committee's jurisdiction.

The Committee on Agriculture is dedicated to ensuring that the Federal government continues to promote policies that will keep American agriculture and rural communities strong and our citizens healthy and safe. We believe that our current policies—as reauthorized and modified by the 2002 farm bill—do precisely that. These policies fit together into a framework that represents carefully crafted compromises and thoughtful tradeoffs among the commodity, conservation, environmental, food and nutrition, trade, rural development, research, and energy programs under our jurisdiction.

These policies will be re-evaluated in 2007 when current authorizations expire. At that time, we can better evaluate how programs have worked and the opportunities for consolidation and change. We also will have better information on the status of ongoing WTO negotiations, and the results of currently pending WTO challenges. Until then, we should let programs operate as designed.

The farm income safety net is an especially important Agriculture Committee program that is, indeed, working as designed. It works in times of high prices by reducing support that is not needed and works in times of low prices by increasing support at the very times it is needed the most. Producers (and their lenders) need this stable farm income safety net that allows them to do the long-range planning and make the investments needed to compete in an increasingly global economy. Mid-stream is not a good place for changing horses or farm income safety nets.

As was done before the 2002 farm bill, we are already scheduling advance hearings to explore changes, if any, that are needed to ensure that our programs operate as effectively and efficiently as possible while delivering needed benefits and holding down costs.

We already know, without hearings, that lower-than-projected actual costs in farm program spending since farm bill passage have, in effect, lowered the federal budget deficit relative to expectations. Actual costs of Commodity Credit Corporation (CCC) programs are $14 billion less than CBO predicted for the first three fiscal years (2002 to 2004) of the farm bill. With lower current and projected prices (and for other reasons), CBO expects CCC annual costs to be higher than projected at farm bill passage beginning in FY 2005. Despite the increases, CBO projects that cumulative CCC costs for the fiscal years corresponding to the farm bill (FY 2002 – 2008) will still be lower (on a comparable accounting basis) than projected when the farm bill was passed.[1]

We understand that our nation faces significant budget pressures and that the Congress has a responsibility to address those pressures. All government safety net programs—not just the farm income safety net—need to be sustainable. And the burden of addressing the nation's budget pressures needs to be broadly shared to be effective.

As you craft solutions to our nation's budget pressures—including the possibility of budget reconciliation—we would like to ask that you consider an increasingly important concern from our committee. Significant funding for the Agriculture Committee's mandatory programs has, in recent years, been cut not by the Agriculture Committee but by the Appropriations Committee one year at a time. These cuts have come largely in conservation, rural development, research, trade, and energy programs. The level of these cuts has been increasing; budget-year levels of these appropriations cuts grew from $650 million in FY 2004 to $1.4 billion in FY 2005. When agriculture programs were last reconciled, cuts in Agriculture Committee programs in appropriation bills were not a significant concern. This problem needs to be recognized and addressed as part of any budget reconciliation instructions.

In closing, we recognize, Mr. Chairman, what a difficult task you and your committee have in putting together this year's budget resolution—and possible reconciliation instructions. We want very much to work with you and to do our part in furthering the excellent relationship that our two committees have established and maintained over the years.

Sincerely,

Bob Goodlatte
Chairman

Collin C. Peterson
Ranking Minority Member

[1]By law, the costs of producer payments for the tobacco quota buyout are to be offset by assessment receipts from tobacco companies. The net costs to the government should be zero. In its accounting, CBO charges the producer payments to the CCC fund but credits the assessment receipts to a tobacco excise tax fund outside of CCC. This overstates cumulative CCC costs through FY 08 by over $4 billion. USDA and OMB count assessments receipts for the tobacco quota buyout as offsets to CCC costs within the CCC budget which makes them net to zero within CCC—as is supposed to happen.